

Memphis and Shelby County PFS Recidivism Reduction Demonstration Project Application for PFS Transition Structuring Grant

TAB A - Cover Letter / Letter of Transmittal

Application and Agreement Contact Information

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The Workforce Investment Network (WIN) in Memphis, TN is an agency of the City of Memphis government, governed by federal and state regulations, and is a recognized community resource dedicated to improving employment opportunities for job seekers and creating a qualified workforce for employers in Memphis, Shelby County, and Fayette County. WIN works in partnership with other agencies and operates its one-stop center that integrates the resources and activities of several federal programs, including Employment Services, Veteran Services, Adult Basic Ed., Vocational Rehabilitation, and the Dept. of Human Services.

As a Local Workforce Investment Board (LWIB), WIN receives funds and provides employment services through the Workforce Innovation and Opportunity Act (WIOA). Signed into law by President Obama in 2014 and enacted by the Department of Labor in July 2015, WIOA focuses on enhancing strategic alignment of workforce development programs, promoting accountability through investments in evidence-based programming, and expanding services to vulnerable populations.

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Tab B – Executive Summary

The Workforce Investment Network (WIN) and partners are excited to be considered for technical assistance from Sorenson Impact Center and Social Finance and grant support from the same for an Innovation Project Manager to oversee the PFS Transition Structuring for the Memphis and Shelby County PFS Recidivism Reduction Demonstration Project.

Having identified \$1 million in cash to spend on the project, WIN is part of a team -- together with the Memphis Shelby Crime Commission, Shelby County Mayor Mark Luttrell, Jr., City of Memphis Mayor Jim Strickland, the 3 cabinet members for Tennessee Governor Bill Haslam, a local foundation and the business CEOs organization Memphis Tomorrow -- which has been preparing for a few years to launch a social impact bond / pay for success initiative to support recidivism reduction.

Having completed a feasibility analysis with support from Social Finance, the team searched for the right opportunity and is now ready to launch the project with WIN as the committed outcomes payor prepared to invest an initial \$1 million. Furthermore, WIN expects to be able to add additional funding annually to the project, with hopes that following a 2-3 year demonstration, the results will lay a clear pathway for dramatic expansion, scalability and adoption at a statewide level.

We believe that in mastering and demonstrating a Pay for Success implementation for offender reentry in Shelby County, this project can lay a foundation for future Pay for Success / Social Impact Bonds and similar innovative funding mechanisms in Memphis, Shelby County and across Tennessee, and will show philanthropy, government, and nonprofit leaders that such innovations can help to achieve seemingly difficult to attain outcomes.

Tab C – Detailed Discussion

Mandatory Requirements

PFS feasibility – Memphis/Shelby County has conducted PFS feasibility with the help of Social Finance, but this has been three years ago and we hope to receive additional technical assistance from Sorenson Impact Center and Social Finance for further refinement and updating. See feasibility study attached as [Exhibit A](#).

Presence of a Payor – WIN is the committed Outcomes Payor. See attached [Exhibit B](#).

Ability to Make Cash and/or In-Kind Match – Workforce Investment Network and its partners can provide a minimum match contribution (cash or in-kind) of 50% of the total grant.

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Technical Requirements

Theory of Change

The Memphis Shelby County PFS Recidivism Demonstration Project will touch on all three RFA Focus Areas: Youth Development, Economic Opportunity and Healthy Futures, with health is particularly defined for our purposes as mental health.

Statement of Unmet Need: In 2015, 2731 offenders were released from Tennessee penitentiaries back into Shelby County. Of those, approximately 37% returned to incarceration within 3 years, with the bulk of those (approximately 60%) returning to incarceration within a year of their release. Noteworthy is that property crimes comprised by far the largest majority of original offense of these offenders. Also noteworthy is that a large percentage of these returning citizens were youth ages 24 and under.

Our solution/theory of change: Interventions for individuals (youth and adults) at a moderate-to-high risk of reoffending that assure rapid employment upon release, work readiness/job training, and job retention support for a minimum of a year following employment, as well as mental health services ranging from substance abuse treatment to family counseling, will alleviate the impulse/perceived need by ex-offenders to re-commit property crimes and will strengthen social-emotional/mental health such that those served are better equipped to successfully hold onto employment and be good citizens. These services are especially crucially delivered during that first year post-release which is when we see the bulk of offenders re-offend.

Why a Pay for Success implementation? Despite significant public and private investment of resources, successful interventions for ex-offenders are few and far between across the country, in Shelby County and throughout Tennessee. That said, when interventions are successful, they can have dramatically positive social and financial returns for individuals, families, communities, governments and taxpayers. Pay for Success implementations – since they are rigorously measured against pre-defined metrics of success and pay only for meaningful outcomes – bring with them a performance measurement and management discipline and a sophisticated approach to combining outcomes and cost-efficiency that are unfortunately still rare – but very much needed -- in the social services world.

We believe that in mastering and demonstrating a Pay for Success implementation for offender reentry in Shelby County, this project can lay a foundation for future Pay for Success / Social Impact Bonds and similar innovative funding mechanisms in Memphis, Shelby County and across Tennessee, and will show philanthropy, government, and

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nonprofit leaders that such innovations can help to achieve seemingly difficult to attain outcomes.

Strength of the Commitment from Outcomes Payor(s).

Workforce Investment Network (WIN) is the sole Outcome Payor for this demonstration project, and a letter documenting their commitment is attached as **Exhibit B**.

Target Population and Intervention.

Target population. In 2015, 2731 offenders were released from Tennessee penitentiaries back into Shelby County. Of those, approximately 37% returned to incarceration within 3 years, with the bulk of those (approximately 60%) returning to incarceration within a year of their release. Noteworthy is that property crimes comprised by far the largest majority of the original offense of these offenders. Also noteworthy is that a large percentage of these returning citizens were youth aged 24 and under. See attached Figure 1 and Figure 2 charts as **Exhibit C**.

Prior to release, Tennessee offenders are assessed using a validated risk/needs assessment tool (currently Tennessee is using LS/CMI but is transitioning to use of the STRONG-R in order to help ensure they are properly assessed for appropriate risk and support services needs. Currently there are 217 offenders being supervised in Shelby County with an Elevated: maximum supervision level. These are generally considered high risk. There are also 2723 offenders being supervised in Shelby County with a Standard: Medium supervision level. These are generally considered moderate risk. Those eligible for the program will be offenders at moderate or high-risk for reoffending for the intervention, released back to Shelby County. We also intend to work with ex-offenders currently on probation of whom there are more than 7000 in Shelby County.

Intervention and Evidence. The proposed PFS project will be a new intervention with a significant likelihood for impact. WIN will issue an RFP, and will select a provider with a demonstrated track record of providing the interventions below:

- **Workforce training, transitional employment, competitive job placement and job retention support for a minimum of a year following job placement.**

Evidence: The U.S. Department of Health and Human Services (HHS) commissioned the Hard-to-Employ (HtE) evaluation, a randomized study of strategies that sought to increase employment for groups who faced sizable barriers to securing and maintaining employment. MDRC, one of the evaluators of the HtE project, found in a three-year randomized trial that the Center for Employment Opportunities, a service provider that focuses on employing formerly incarcerated individuals, reduced the probability that someone would ever be convicted of a crime or ever incarcerated in jail and increased transitional

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job placements in the first year of its programming relative to the comparison group.

- **Counseling/Mental Health Support:** Treatment for mental illness and substance abuse.

Evidence: Researchers in criminology mention the need principle, the notion that those formerly incarcerated individuals must be treated according to their most salient ailments, as a bedrock of successful evidence-based practice. “The more services or referrals targeting criminogenic needs, the stronger the effects,” notes one review of evidence-based practices to reduce recidivism. Other researchers have found that treatment programs such as in-prison therapeutic community and community-based transitional therapeutic communities reduced post-release recidivism rates.

Outcome Measures. Below are the major outcomes measures we propose to track and for which we intend to make percentage payments to the selected provider. There will also be additional process metrics developed and tracked to indicate short-term progress towards these goals and to facilitate a process of continuous improvement. We look forward to further refining these with Sorensen and Social Finance.

1. Enrollment and eligibility confirmation.
2. Placement into competitive employment following transitional employment.
3. Employment retention at 2nd and 4th quarter post job placement.
4. Recidivism milestones -- 1 year, 2 year and 3 year without return to incarceration.

Organizational Commitment.

The Workforce Investment Network (WIN) in Memphis, TN is an agency of the City of Memphis government, governed by federal and state regulations, and is a recognized community resource dedicated to improving employment opportunities for job seekers and creating a qualified workforce for employers in Memphis, Shelby County, and Fayette County. WIN works in partnership with other agencies and operates its one-stop center that integrates the resources and activities of several federal programs, including Employment Services, Veteran Services, Adult Basic Ed., Vocational Rehabilitation, and the Dept. of Human Services.

As a Local Workforce Investment Board (LWIB), WIN receives funds and provides employment services through the Workforce Innovation and Opportunity Act (WIOA). Signed into law by President Obama in 2014 and enacted by the Department of Labor in July 2015, WIOA focuses on enhancing strategic alignment of workforce development programs, promoting accountability through investments in evidence-

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based programming, and expanding services to vulnerable populations.

In pursuit of the above objectives, WIOA authorizes LWIBs to use up to 10% of Title I formula funding for Pay for Performance (PfP) contracts. This opportunity allows WIBs to test innovative approaches and promote the growth of evidence-based services through performance-based funding mechanisms.

In an effort to encourage successful re-entry for incarcerated or recently incarcerated populations, WIN has committed to issuing a Request for Proposals (RFP) for employment-based re-entry services with additional mental health support services. Contracts with selected service providers would be partly fee-for-service (funding based on enrollment and service provision) with a large portion of the contract contingent on achieving positive outcomes—such as placements and retention in competitive employment. In order to ensure service delivery is effective and efficient, and especially in order to build a demonstration Pay for Success program scalable across Tennessee, WIN seeks technical assistance and project management support from Sorenson Impact Center and Social Finance.

Further, WIN has engaged both City of Memphis Mayor Jim Strickland and Shelby County Mayor Mark Luttrell, Jr (who possesses a significant corrections background and is a passionate advocate for PFS and Social Impact Bonds to support innovations in reducing recidivism) as supporters for this project. They both intend to (and are already) using their pulpits and connections to advocate for community support of this project.

Additionally, the Memphis Shelby Crime Commission which serves as the community's collective impact backbone organization for reducing crime, and which quarterback Operation: Safe Community the community's plan to reduce crime, is fully engaged in this effort. In fact a co-writer of this proposal is a leader of a local business association involved with Operation: Safe Community, and is committed to assisting with outreach to local businesses to secure employment opportunities for participants in this demonstration project.

Finally, through our Mayors and the Crime Commission/Operation: Safe Community partnership, as well as through its close relationship with the State Department of Labor and Workforce Development, WIN will be able to access data and support from our state Department of Corrections, State Department of Labor and Workforce Development, and State Department of Finance and Administration. In fact the President of the Crime Commission is the very recently former Commissioner for Safety and Homeland Security for Governor Bill Haslam, and recently led the Governor's task

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force on Sentencing and Recidivism as well as the resulting TN Public Safety Plan, which lifts up Social Impact Bonds and this type of evidence informed intervention as critical to the state's future success in reducing recidivism. We therefore expect full cooperation from the Governor and his cabinet as we seek to document outcomes and return on investment, and lay the foundation for statewide expansion of the model.

We fully recognize that success requires a major commitment of time, resources and attention by a wide variety of leaders and policymakers. We also fully appreciate the value of the technical assistance and project management capability being offered through this grant and believe that to be most successful in our endeavor we very much need it.

Organizational Capability

Innovation Project Manager (IPM). WIN intends to create a new position and hire a highly motivated and qualified individual, with the help of and engaging the expertise of the Sorenson Center and Social Finance. The hiring process would begin immediately upon notification of the PFS grant award, starting with assistance in drafting the job description and targeting salary range, with the goal of selecting the person within 30 days and onboarding him/her within a maximum of 45 days. The Innovation Project Manager will report directly to the Executive Director of WIN, and will be given full authority by and support of the Executive Director to represent the project in working with Mayors, the Governor, the Governor's Commissioners and their staff, the selected service provider, local businesses and business organizations, etc. and will be expected to and have authority to do all that's necessary to drive the project to successful completion.

The IPM will work closely on occasion with and be supported by the following other positions at WIN:

- **Executive Director:** Responsible for all aspects of the organization's day to day operations and finances.
- **Deputy Director for Grants Compliance and Continuous Improvement:** Lead organization's continuous improvement strategy, provide training, execution, and project management. Analyze performance trends and make ongoing recommendations for system improvement.
- **Deputy Director of Finance:** Oversees the fiscal strategy, planning, and forecasting to insure optimal performance
- **Deputy Director of Operations:** Oversees the business environment of the local workforce system. (Including HR, Infrastructure, Policy)

Demonstrate PFS Readiness. Please see attached **Exhibit A**, which is a very thorough

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feasibility analysis conducted 3 years ago by Social Finance. That analysis covered the following components of PFS readiness, although some require a bit of updating and further refinement.

- assessed community needs;
- identified target populations;
- identified the current total costs and projected the potential public value to be achieved through potential interventions by defining metrics and analyzing the economics in a high-level financial model;
- identified opportunities to achieve outcomes more cost-effectively;
- evaluated the suitability of implementing one or more interventions by assessing service providers,
- reviewing evidence
- evaluating organizational capacity; and
- evaluated willingness and capacity of stakeholders to implement a PFS project, including public/payor support and administrative data availability.

Since then, and in preparation for this grant application, WIN has held numerous conversations with Center for Employment Opportunity and other local service providers to learn more about their programs, has worked closely with the Crime Commission and others to gather updated recidivism data, has identified \$1 million in funding for which it will issue an RFP for the engagement of a service provider. Still remaining on our to-do list for project feasibility is to identify transitional jobs and to secure the service provider.

WIN's PFS goals and objectives for the coming year for this demonstration project include:

- Successful PFS contracting
- Successful Innovation Project Manager hiring and training
- Successful Performance Management of PFS contract/service provider, including the establishment and implementation of continuous improvement processes for the service provider in partnership with WIN.
- Successful refinement of metrics and high level financial model and successful articulation of the intervention's return on investment and opportunity for greater return to the State of Tennessee through scaling.

WIN has naturally managed many employment-based service provider contracts given the nature of its role and responsibility as a local WIB. That said, while performance-based contracting is not new, Pay for Performance requires a different and often unfamiliar approach for many jurisdictions including ours. WIN will therefore benefit tremendously and have a much greater likelihood of achieving its goals with the technical assistance provided by Sorenson and Social Finance, not only on this project but in establishing a broader PFS culture and practice across other projects.

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Challenges? This is a very difficult project. Helping high-risk offenders get their lives on track is full of challenge. The greatest challenge, assuming we jump the hurdle of securing the right service provider, may be when performance management inevitably tells us things aren't working the way they should, how to assess the question of whether it's due to implementation or program design, and then how to best make decisions around course correction. Having a partner in Social Finance and Sorenson will be extremely valuable to navigating this type and other challenges.

Timely execution of grant agreements. WIN is of course highly experienced in timely execution of grant agreements, since it is a grant recipient of the state of Tennessee's Department of Labor and Workforce Development, with an annual budget of approximately \$8.5 million for which it is accountable to spend and spend well.

Work Plan:

Below is WIN's preliminary work plan for the demonstration project for the grant year.

- a. Execution of Grant Agreement with Sorenson Impact Center and Social Finance
- b. Completing any remaining feasibility phase activities, including identifying transitional jobs.
- c. Finalizing the RFP
- d. Issuing the RFP and selecting a service provider.
- e. Hiring an experienced Innovation Project Manager
- f. Establishment of a project team to lead transaction structuring work on behalf of Subrecipient
- g. Work with University of Memphis Public Safety Institute (PSI) to create evaluation design (note, PSI will be attending JPAL executive leadership training and will be accessing their expert support in the design of this evaluation).
- h. Refine target population eligibility criteria and recruitment process.
- i. Establish process milestones and continuous improvement/performance management processes.
- j. Refine and finalize economic model reflecting potential return on investment
- k. Finalize operations plan, including agreements with referral sources, local implementing agencies, data sharing agreements, etc.
- l. Draft PFS main agreement and related legal documents (e.g., schedules, evaluator agreement, etc.)

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Program Budget (including cash and/or in-kind Match), Narrative, and Financial Accounting.

Budget

Revenues	
WIN Cash	1,000,000
WIN In-Kind (For personnel other than IPM - salaries, fringe, overhead, equipment and supplies)	100,000
Sorenson / Social Finance Cash	100,000
Sorenson / Social Finance In-Kind Technical Assistance	TBD
Total Revenues	1,200,000
Expenses	
Sorensen / Social Finance Technical Assistance	TBD
Innovation Project Manager salary and fringe	100,000
Other WIN personnel support salaries and fringe	75,000
Executive Director (10%)	
Finance Director (10%)	
Admin Assistant (10%)	
WIN office space, supplies, equipment for IPM and other WIN support personnel	25,000
Service Provider Contract for Recidivism Reduction Demonstration Project	900,000
Data Collection and Evaluation Design / Implementation Contract	100,000
Total Revenues	1,200,000

Budget Narrative

Workforce Investment Network (WIN) is committing \$1 million in cash and approximately \$100,000 in in-kind contributions to this project. WIN requests \$100,000 cash assistance specifically to pay for an Innovation Project Manager, and also requests the maximum allowable technical assistance from Sorenson and Social Finance.

Approximately/Up-to \$900,000 will be awarded to a service provider to deliver the Recidivism Reduction Projected.

Another approximate \$100,000 is expected to be awarded to the University of Memphis Public Safety Institute for data collection, evaluation design and evaluation implementation in consultation with JPAL (Abdul Latif Jameel Poverty Action Lab at MIT).

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Other WIN personnel involved/contributed to the project will include Executive Director, Deputy Director of Finance, Deputy Director of Continuous Improvement and Deputy Director of Operations, with approximately 10% of their time/costs being allocated to the effort.

Additionally, WIN will provide all office space, furniture, equipment and supplies needed for the Innovation Program Manager as well as an approximate 10% allocation associated with the other WIN personnel involved in supporting the project.

YES -WIN has a job cost accounting system that allows applicants to record budgets, revenue and expenses by cost center, jobs, grants and activities.

ACCOUNTING SYSTEM NAME: Oracle

YES – WIN has automated payroll.

YES – WIN has time and attendance sheet system.

TAB D - OPTIONAL LETTERS OF SUPPORT.

- Mayor Jim Strickland, City of Memphis Mayor
- Mayor Mark Luttrell, Shelby County Government
- Bill Gibbons, Executive Director, Public Safety Institute, University of Memphis and President of the Memphis Shelby Crime Commission
- Blair Taylor, President, Memphis Tomorrow

APPENDIX / OTHER ATTACHMENTS

- **Exhibit A – Social Finance feasibility study**
- **Exhibit B – Letter from WIN/Presence of a payor**
- **Exhibit C - Supporting charts**
- **Exhibit D – Org chart**